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SUBJECT: TURKISH TRUCKER STRIKE AGAINST SOMO IN STALEMATE

REF: BAGHDAD 2282

1.(SBU) This cable is not for internet distribution and contains commercially sensitive information. Embassy Baghdad pass REO Mosul.

2.(SBU) Summary: The Turkish transport union wildcat strike against Iraqi SOMO, which started on Dec. 6, continues. This strike is also affecting two of the three categories of fuel that Turkish companies can ship to Iraq for MNF-I sustainment. The most important sustainment fuel, JP-8, continues to flow, but at lower rates than desired. Separate discussions with Turkish supply companies and transport unions on December 23 indicate that this strike turns on desired wage increases by the driver transport unions, who seem to indicate a wish that any trucker carrying a load to Iraq receive the same wage per metric ton delivered. Turkish petroleum supply companies say that their infrequent contacts with SOMO indicate SOMO is unwilling to raise its rates to them and only urges them to deliver their contracted loads because of "shortages in Iraq and higher seasonal consumption." These companies also report total SOMO arrears to them in the range of \$75-100 million for periods ranging from the last 15 to 80 days, although they say that SOMO payment practices have been improving almost across the board in the last 30 days. Facing this perceived squeeze on what they claim are their already slim profit margins, the Turkish petroleum supply companies servicing SOMO intend to wait out the strike by insisting that the drivers accept current wage scales, hoping that drivers soon will feel the pinch of a lack of cash flow. End Summary.

SOMO strike continues, now affecting sustainment, too

2.(SBU) AMCON Adana and MJLC contacted several of the larger Turkish petroleum supply companies contracted to SOMO and/or DESC on December 23 to determine the status of their deliberations on the ongoing trucker strike against SOMO. MJLC reported that the strike is also affecting two of the three categories of fuel (MOGAS and diesel) that Turkish companies can ship to Iraq for MNF-I sustainment. Efforts to ship these two categories of fuels in the last eight days have resulted in no successful cross-border delivery, with 27 tankers currently in limbo in southeast Turkey near the Habur border gate, allegedly prevented from proceeding to the border crossing by drivers' union threats against their families. An effort by MJLC to secure Jandarma's involvement in this problem was frustrated by the threatened drivers' unwillingness to make a statement to the Jandarma and subsequent explanation to their parent company that they did not consider the Jandarma able to protect them or their families from the alleged threats. However, the most important sustainment fuel, JP-8, continues to flow, but at lower rates than desired (average 45 versus 60 desired loads daily). The largest Turkish oil supply company for sustainment, Petrol Ofisi, is seeking to decouple sustainment fuels from the pressures of the SOMO strike through a side deal and to test that arrangement with a second 75-tanker delivery of MOGAS and diesel starting on December 24, but declined to predict to AMCON ADANA whether their gambit would bear fruit.

Strikers want 100% increase

3.(SBU) The Turkish petroleum supply companies independently commented that the drivers' unions with which they intermittently are discussing the strike have demanded an almost 100 percent increase in wages per metric ton delivered. A December 23 AMCON ADANA discussion with a local Turkish truckers union representative confirmed that this is what driver supply companies desire, even though some Trucker union association group "elders" have recommended a lower starting bid and readiness to negotiate to a lower point. The trucker union representative said that the truckers recall that they were paid higher rates last year for similar loads when contracted by the U.S. for humanitarian deliveries through KBR and at least want a return to those wage levels. They also claim that drivers represent that their costs per delivery exceed the SOMO contract wage rates. (Note: an important cost element here about which they claim irritation is over a hundred dollars per load in Peshmerga collected fees and additional alleged Peshmerga

solicitation of bribes in return for Peshmerga under-reporting of load under-delivery at the northern Iraqi oil depots. End Note.)

Turkish oil supply companies: SOMO not budging, so neither will we

4.(SBU) The Turkish petroleum supply companies say that their contacts with SOMO have been limited recently, but even these limited contacts (a few e-mails and phone calls, they say) indicate SOMO is unwilling to raise its rates to them. In fact the largest of the contractors, OPET, said it even received a draft 2005 contract from SOMO recently insisting that wages would be unchanged. Both large Turkish petroleum supply companies that AMCON Adana contacted independently said that SOMO has limited its replies to their strike reports to "urging us to deliver their contracted loads because of shortages in Iraq and higher seasonal consumption. They just tell us to do the best we can and avoid any discussion of how we might rework our contract with them to meet some of the strikers' demands."

5.(SBU) These companies also report SOMO arrears to them in the range of \$75-100 million for periods ranging from the last 15 to 80 days, although they say that SOMO payment practices have been improving almost across the board in the last 30 days. They say that in the last several months SOMO has shifted to paying its contract through wire transfer, but that their levels of accounts receivable are still "uncomfortably high" for some of the larger suppliers and this risk, in part along with the one-sided strike dialogue, is undermining their confidence in developing a joint strike reaction position with SOMO.

We will wait the drivers out, oil suppliers say

6.(SBU) Facing this perceived squeeze on what they claim are their already slim profit margins, the Turkish oil supply companies servicing SOMO intend to wait out the strike by insisting that the drivers accept current wage scales, hoping that drivers soon will feel the pinch of a lack of cash flow. This determined stance is strengthened by their perception of driver disorganization. They point out that the drivers' union is fragmented among almost 50 local representatives, some of whom bicker publicly in front of the petroleum supply company representatives on the few occasions they have met. (Comment: AMCON Adana and MJLC witnessed such driver disorganization in a chance encounter in Iskenderun last week, at which different local agha's acting as union representatives argued in front of Petrol Ofisi representatives and us about whose drivers were losing more and therefore in more relative distress caused by SOMO's alleged low wages. End Comment.)

Why are there different driver wage scales?

7.(SBU) Turkish supply companies indicate that wage differentials for different Iraq contracts do exist, but for what they consider sound market reasons. They say that MNF-I sustainment loads receive the highest per load wages because the U.S. government, through DESC, will pay higher rates than SOMO. Additionally, the sustainment drivers face higher risks of being attacked and can make fewer round trips per month because of their more distant destinations in Iraq and security constraints on their travel. In short, SOMO drivers on average can make 3 round trips to Iraq monthly while their sustainment counterparts can only make 1-2, depending on convoy availability within Iraq and threat posture.

What do drivers and oil supply companies say will happen?

8.(SBU) Drivers' union representatives, per discussions with AMCON ADANA, MJLC, DESC or the oil supply companies, seem to believe they have leverage over their Iraqi purchaser and profess that they will wait until higher wages are offered. They also claim that their individual drivers are leaving vehicles either in northern Iraq, if awaiting return clearance at the border, or in southeastern Turkey depots, and heading home to southeastern Turkey villages for New Year's celebrations. (Note: we would welcome any reporting on whether this is occurring in northern Iraq and will seek confirmation in southeast Turkey. End Note). On the other hand, Turkish oil supply companies feel that the individual drivers soon will exhaust any on-hand cash to which they have access and have to return to work at no increase in wage levels. In the meantime, dialogue between the oil supply companies and different layers of drivers' representatives is reported as sporadic, fragmented and inconclusive by both sides.

9.(SBU) Comment: This situation seems to be stuck in a stalemate among Turkish parties. Absent a new catalyst in the supply company-driver dynamic, near-term progress seems unlikely. It also seems prudent to bear in mind that, should a

SOMO strike resolution materialize, there still will be a delivery bottleneck at the Habur gate if it maintains its current customs inspection process. Additionally, should SOMO drivers receive higher wages, there is the possibility of a synergistic negative effect on the sustainment Turkish driver pool based on para. 7 observations. End Comment.

10.(SBU) Baghdad minimize considered.

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